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September 21, 2005

The Honorable David H. Meyer  
Acting Deputy Director  
Office of Electricity Delivery and  
Energy Reliability  
U.S. Department of Energy  
Economic.Dispatch@hq.doe.gov

Re: Response of the New York Transmission Owners to *Questions for Stakeholders* in  
Connection with the Economic Dispatch Study Required by Section 1234 of the  
Energy Policy Act of 2005

Dear Mr. Meyer:

Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., LIPA, New York Power Authority, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Orange and Rockland Utilities, Inc. and Niagara Mohawk Power Corporation, a National Grid Company, (referred to herein as the "New York Transmission Owners") respectfully submit these comments for your consideration in connection with the economic dispatch study required by Section 1234 of the Energy Policy Act of 2005.<sup>1</sup> Your September 1, 2005 letter to Mr. David Owens, Executive Vice President of the Edison Electric Institute, invited comments in connection with the Department of Energy's ongoing study of the benefits of economic dispatch in the electricity industry. The New York Transmission Owners have reviewed the response of New York Independent System Operator, Inc. ("NYISO") to your request, and have had the opportunity to provide comments on its statement prior to submittal. The New York Transmission Owners support the comments made by the NYISO.

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<sup>1</sup> The New York Transmission Owners are comprised of the eight electric systems in the State of New York that own the transmission facilities operated by the NYISO. The NYISO commenced operations under the Open Access Transmission Tariff ("OATT") and Market Administration and Control Area Services Tariff ("Services Tariff") on November 18, 1999. The New York Transmission Owners are owners of the transmission facilities operated by the NYISO and recover their costs of operating those facilities under the NYISO OATT and Services Tariff.

As described in the NYISO's comments, the term "economic dispatch" generally refers to the processes used to determine the schedules of generating units that minimize operating costs subject to meeting all reliability constraints, referred to as security constraints. In New York State this scheduling function is performed by the NYISO through the optimal and secure day-ahead commitment and dispatch of generating resources to meet expected load coupled with a real-time optimal adjustment of this dispatch, and possible commitment of additional quick-starting units, to meet actual conditions in the system (actual load and any real-time event such as the forced outage of a generating unit or transmission line).

The New York Transmission Owners agree that the NYISO-administered security-constrained economic dispatch for all electricity suppliers in New York State has been successful.<sup>2</sup> The NYISO systems are the result of a substantial investment that is frequently enhanced to gain even more efficiency and is the basis for the restructured markets after the New York Transmission Owners divested the great majority of their generation.

The New York Transmission Owners believe they have a non-discriminatory system in New York State through the NYISO economic dispatch systems. There is open access to the transmission system administered by the NYISO for all generating resources dispatched as an outcome of the NYISO economic dispatch process, in contrast to the concept of energy transactions following contract paths that existed prior to the NYISO. Moreover, these security-based dispatch systems have served the New York Control Area well in efforts to preserve reliability. The energy, operating reserves and regulation markets are simultaneously operated in New York and take into account the higher security levels required for New York City. The economic dispatch also provides added benefits in the form of effective price signals. Finally, the New York Transmission Owners agree with the NYISO that the use of economic dispatch has helped to reduce total energy and ancillary services costs for consumers in New York State.

Respectfully submitted,

/s/ Elias G. Farrah

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<sup>2</sup> Notably, these systems were originally created by the New York Transmission Owners as an outgrowth of their programs under the New York Power Pool.

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